

# **A new Model for Engagement Between MNCs and Irish Researchers<sup>1</sup>**

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## **Context**

In the Irish third level system, there are now hundreds of experienced researchers, including Principle Investigators, many of whom are based in Centres for Science and Engineering Technologies, Research Clusters, HEA/PRTL I Funded infrastructure and so on. Research teams are building IP, know-how and team capabilities, and they are understandably the focus of the IDA in their attempts to interest new clients in Ireland as a place to locate future investments. This is absolutely central to Government policy as it is the basis of our future 'Smart Economy'. It is now very clear that holding existing MNCs in Ireland is difficult, and some, like Dell will go as our cost base is now too high to compete with India, China, Eastern Europe and other low cost locations. Equally, the marketing and sales pitch by the IDA has become more complex, and it often involves close interaction with academic teams, as the IDA continues to defend the pipeline of FDI to Ireland. However, it has also become clear to many experienced researchers that there are many opportunities being lost because of the lack of a simple mechanism for research teams to work with these companies, many of whom want to get to know the Irish scene better before they will make a significant commitment. This is essentially a trust-building mechanism that facilitates interaction between Irish researchers and foreign companies that have no current base in Ireland. This interaction provides a period of opportunity for the agencies to build a more substantial relationship, based on functioning links, and the development of trust by key decision makers within the MNCs who are associated with the project.

At present, researchers meet companies at conferences, or through visits arranged by the IDA, and often potential projects are quickly identified, but these all too often fail to develop as, in the absence of a cost-sharing model, the company has to bear the full cost of the project, and this is not competitive on an international basis. For

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<sup>1</sup> This document is an outcome arising from a discussion forum on Wealth Creation from Research, held at the 2009 SFI Summit, November 2009

researchers, this is frustrating as opportunities are lost with potential key partners, and time is wasted in initial interactions with companies that have no simple followup model to invoke if things go well. Basically, the problem is as follows;

**Enterprise Ireland** – remit is restricted to SMEs within a national context or developing marketing capabilities overseas. Supporting joint research activity between Irish research teams and MNCs with no Irish base is outside their remit

**IDA** – the IDA cannot fund universities, but can fund companies. If the company has no Irish base, then funding joint research activity in effect means transferring Irish exchequer funding to a foreign country, and this cannot happen.

**SFI** – supports industry engagement but almost entirely through CSETs and Clusters, which are very large scale, and tend to have the industry partnership set at the start of the support period (4-5 years).

**IRCSET** – does allow support for foreign companies linked to Irish researchers; this supports one postdoc for 2 years. What is suggested in this proposal is a more project-focused mechanism than the IRCSET model, which is effectively person (postdoc) focused.

Therefore we have no effective national model to engage with foreign MNCs and establish the very dynamic interactions that are absolutely essential for the future strength of our economy. **This cannot be allowed to continue**

## **How do we fill this critical gap in our current mechanisms?**

**A simple model** is suggested, that is essentially self-funded (exchequer neutral) that would enable researchers to link effectively with MNCs, and assist the strengthening of pipeline engagements between agencies and companies. In addition, a formal engagement with the relevant national agencies will be part of the model, to ensure that all national players (university industry liaison units, research teams, agencies, government departments) are all involved in the developing relationship.

**Co-funding model** – relatively small projects ca. €300K, 2-3 years; 2/3 costs from MNC partner

**Funding is awarded to the University;** company must input their 2/3 contribution in CASH (not in kind).

**A national agency must be designated as responsible** for funding, marketing, promoting and managing the mechanism.

Researchers and agencies work together within this period to develop the relationship and attempt to define scaled-up activities to follow after the initial project.

A typical project budget is given below (details may vary but these costings are typical for this type of project).

Salary	yr1	yr2	yr3	tot
Postdoc	50	50	50	150
Research assistant	35	35	35	105
materials	10	10	10	30
Travel	5	5	5	15
tot	100	100	100	300

- Irish Government Commitment €100 K (33%)
- Overseas Industry Partner €200K (66%)

**Notes:** The exchequer will recoup vat on materials and equipment (21%), and PRSI/income tax on salaries for the entire €300K project budget. This will bring back ca. 20-30% of €300K directly to Government; i.e. €60K-90K. Therefore the net investment for Government is ca. €10K-40K. Note that most of the budget is salaries for the two positions created (in the above example, it is €255K), and there will be further gains to the exchequer through indirect taxation as the employees spend within the national economy. ***It can therefore be concluded that this model will be approximately self-funding, with little or no net cost to the exchequer.***

## What are the benefits to Ireland Inc?

- With this model in place, university researchers can work closely with agencies to get MNC research activity established in Ireland – in effect, SFI/EI funded researchers become a marketing team for new FDI in Ireland.
- This is a critical first step in a relationship building exercise that can rapidly build to a more strategic research and employment base for the MNC in Ireland
- It makes Ireland a more attractive place for foreign MNCs to do research
- Each of these projects directly creates 2-3 jobs in research intensive activity
- Builds value on IP created in Irish research teams and provides routes to exploitation according to national IP guidelines (as the research is in receipt of public funding)

- Involves MNCs, agencies and university research teams in close cooperation which will strengthen the developing relationships
- Mobilises the entire research community as a marketing and sales team for Ireland Inc., with a clear and simple mechanism for small-scale low-risk engagement for MNCs, upon which more substantial engagement can be rapidly built.

Target Project No (new projects per year)	10									
(3-year projects)										
Year	1	2	3	4	5	6	7	8	9	10
No Projects	10	20	30	40	50	60	70	80	90	100
Projects completed	0	0	0	10	20	30	40	50	60	70
Active Projects	10	20	30	30	30	30	30	30	30	30
Exchequer Input (k€)	1000	2000	3000	3000	3000	3000	3000	3000	3000	3000
Total jobs	25	50	75	100	125	150	175	200	225	250
active jobs	25	50	75	75	75	75	75	75	75	75

This table shows what could be achieved with a modest programme; assuming 10 projects are established each year; projects 3 years in duration, and creating on average 2.5 positions, total budget €300K per project, €100K from exchequer. 250 new jobs would be created during that period (10 years), and many would continue through follow-on activities. Hence this mechanism can become a catalyst for growth of high-value jobs. **Note that the figures scale; if 40 active projects are created each year, 1000 jobs would be created at essentially zero cost to the exchequer.** Our ambition would be that these activities lead to activities at a much greater scale, creating further high value jobs through follow on FDI, spin outs, joint ventures, FP7/FP8 projects etc. Therefore the number of jobs arising from this mechanism will be a multiplier of the direct jobs created.